

AG TAX TIDBITS



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Taxation Tidbits Depressed Stock Prices – Converting a Traditional IRA to a Roth IRA

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If you have a traditional IRA (Individual Retirement Arrangement) that is invested in the stock market now may be an opportune time to make a conversion to a Roth IRA. You can convert amounts from a traditional IRA to a Roth IRA if your modified adjusted gross income is not more than \$100,000 and you are not a married individual filing a separate return. Modified adjusted gross income is basically your adjusted gross income, not including the income from the conversion and not including any deductions for traditional IRA contributions or student loan interest.

Distributions from a traditional IRA are taxable in the year of distribution. Thus, when you believe the stock market has bottomed, consideration should be given to converting a traditional IRA to a Roth IRA and paying the income tax on the converted amount. In general, any capital growth and accumulated earnings of the Roth IRA can be distributed at a future date without any additional income tax liability.

More detailed information relative to converting IRAs is available in the free IRS Publication 590 “Individual Retirement Arrangements”. This publication can be obtained by calling the IRS toll free number 1-800 TAX FORM.

